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UNCLAS ALMATY 002589

SIPDIS

DOE FOR DOE/NNSA, J. MCKISSON
STATE FOR EUR/PRA
CD&TR FOR BOREN
DTRA FOR FOSTER

SENSITIVE

E.O. 12958: N/A

TAGS: [ENRG](#) [KNNP](#) [KZ](#) [ECONOMIC](#)

SUBJECT: KAZAKHSTAN: APPROVAL OF TAX- AND DUTY-EXEMPT DOE
SHIPMENT TO ULBA METALLURGICAL PLANT

REF: A) 6/1/05 Mennuti-McKisson email B) 04 State 185113

1. (SBU) Summary: Ten months after the U.S. first requested confirmation of tax and customs exemptions for a DOE shipment to the Ulba Metallurgical Plant (Ref B), the MFA has forwarded a letter from the Tax Committee stating that the shipment will be exempt. End summary.

2. (SBU) On June 24, Embassy Almaty received dipnote 09/1-3/2530 from the Ministry of Foreign Affairs, transmitting a copy of a May 3 letter from N. Usenova, Vice-Chairman of the Tax Committee, Ministry of Finance, to Vladimir Shkolnik, Minister of Energy and Mineral Resources, regarding Shkolnik's January 12 request that the Tax Committee exempt a proposed DOE shipment of equipment to the Ulba Metallurgical Plant from all taxes and customs duties. The letter confirmed that the shipment would be exempt from tax and other compulsory payments to the budget.

3. (SBU) Embassy translation follows:

//BEGIN TEXT OF TRANSLATION//

May 3, 2005

From the Tax Committee of the Ministry of Finance of the Republic of Kazakhstan

To the Ministry of Energy and Mineral Resources of the Republic of Kazakhstan

The Tax Committee of the Ministry of Finance of the Republic of Kazakhstan, having examined the letter of the Ministry of Energy and Mineral Resources of the Republic of Kazakhstan from January 12, 2005 # 10-04-178 concerning exemption from tax and other compulsory payments to the budget of equipment for accounting and control of nuclear materials delivered by the U.S. Department of Energy for the Ulba Metallurgical Plant and on the basis of the letter of the Ministry of Foreign Affairs of the Republic of Kazakhstan from April 20, 2005 #10/2-1-967, notifies the following.

The agreement between the Republic of Kazakhstan and the U.S. concerning intercontinental ballistic missile silo launchers disposal, incident damage control and prevention of nuclear weapons proliferation from December 13, 1993 (further as Agreement) was ratified by the Law of the Republic of Kazakhstan of June 3, 2002.

In accordance with Article II of the Agreement, each Party appoints an Executive body to implement the Agreement. The Ministry of Defense of the RK is the executive body for the Republic of Kazakhstan, and the U.S. Department of Defense is the executive body for the U.S.

The aims of the Agreement are the destruction of intercontinental ballistic missile silo launchers; taking measures to prevent the proliferation of nuclear weapons, as well as related technology, material, technical devices, and know how from the Republic of Kazakhstan; enhancement of emergency response capability in connection with the withdrawal of nuclear weapons from RK for destruction; and rendering other assistance connected with the elimination of strategic offensive arms in the Republic of Kazakhstan.

According to Point 1 of Article III of the Agreement, to achieve the outlined goals, the Parties will conclude via their executive bodies agreements on implementation, ratification of which has not been determined by the Agreement.

Within the framework of implementing the Agreement, an interagency agreement was concluded between the Ministry of Defense of the RK and the U.S. Department of Defense on December 13, 1993 concerning the control, accounting, and physical protection of nuclear materials to support the prevention of nuclear weapons proliferation, which is an implementing agreement.

Consequently, the implementing agreement concluded by the Executive bodies of the Parties and aimed at the realization of the goals stated in Article I of the Agreement comes under the provisions of the Agreement.

Point 2 of Article IX of the Agreement states that the U.S. can bring into the RK any material and technical devices which are necessary for implementation of the Agreement.

According to the letter, the U.S. Department of Energy plans at the request of the International Atomic Energy Agency (IAEA) to provide the Ulba Metallurgical Plant with equipment for the accounting and control of nuclear material. The Ministry of Energy and Mineral Resources of the Republic of Kazakhstan also notes that this delivery is taking place within the framework of the implementing agreement.

On the grounds of the abovementioned, delivery of the mentioned equipment by the U.S. Department of Energy is subject to exemption from tax and other compulsory payments to the budget.

First Vice-Chairman of the Tax Committee of the Ministry of Finance of the Republic of Kazakhstan N. Usenova

//END TEXT OF TRANSLATION//

14. The dip note will be emailed to EUR/CACEN, EUR/PRA, and DOE.

ORDWAY

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